

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 DODE-00 PA-01 PRS-01 IO-10 /095 W

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R 120630Z JUN 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 558

INFO AMEMBASSY KABUL

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

LIMITED OFFICIAL USE ISLAMABAD 5335

E.XM 11652: N/A

TAGS: ECON, MILI, PK

SUBJECT: PAKISTAN DEFENSE BUDGET FOR 1975/76

REFERENCE: ISLAMABAD 5256 (NOTAL)

1. PAKISTAN'S BUDGET FOR DEFENSE SERVICES, ANNOUNCED IN THE GENERAL BUDGET PRESENTATION JUNE 7, WAS RS. 7,027.4 MILLION (\$709 MILLION). THIS REPRESENTS 25 PERCENT OF TOTAL BUDGET EXPENDITURES, AND IF THE HOPED-FOR GROWTH IN GNP MATERIALIZES WOULD AMOUNT TO ABOUT 6.4 PERCENT OF GNP. DEFENSE SERVICES ACCOUNT FOR 40.7 PERCENT OF GROSS FEDERAL GOVERNMENT REVENUES.

2. THIS REPRESENTS AN INCREASE IN MONEY TERMS OF ABOUT 11.6 PERCENT OVER THE MOST RECENT ESTIMATES OF ACTUAL FY 1974/75 EXPENDITURES. GIVEN AN ANTICIPATED INFLATION RATE OF 20 PERCENT, HOWEVER, THIS WOULD MEAN A DROP OF ABOUT 7 PERCENT IN REAL TERMS. DEFENSE SERVICES AS A PERCENTAGE OF THE BUDGET, GOP REVENUES, AND GNP ARE ABOUT THE SAME IN LIMITED OFFICIAL USE

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THE NEW BUDGET AS IN 1974/75.

3. BESIDES THE ENTRY FOR DEFENSE SERVICES, THE BUDGET CONTAINS A NUMBER OF OTHER DEFENSE-RELATED ITEMS. THE BUDGET FOR CIVIL ARMED FORCES (COAST GUARD AND VARIOUS FRONTIER UNITS) IS THE BIG ITEM IN THIS CATEGORY, ADDING ANOTHER RS. 592 MILLION (\$60 MILLION) IN 1975/76 (RS. 529 MILLION, OR \$53 MILLION IN 1974/75). OTHER MINISTRY OF DEFENSE EXPENDITURES, INCLUDING MINISTRY OF DEFENSE DEVELOPMENT EXPENDITURES, TOTAL RS. 17 MILLION (\$1.7 MILLION) IN 1975/76, AS AGAINST RS. 8 MILLION (\$.8 MILLION) IN 1974/75. ADDING THESE FIGURES TO THE BUDGET ITEM FOR DEFENSE SERVICES PUTS TOTAL DEFENSE SPENDING AT 7 PERCENT OF GNP, 27.4 PERCENT OF THE BUDGET, AND 44.2 PERCENT OF TOTAL FEDERAL GOVERNMENT REVENUES (PERCENTAGES LAST YEAR ARE COMPARABLE).

4. OVER THE PAST SEVEN YEARS, DEFENSE EXPENDITURES IN CONSTANT PRICES HAVE REMAINED AT ABOUT THE SAME LEVEL, GIVE OR TAKE FIVE PERCENT, WITHOUT EXHIBITING ANY PARTICULAR TREND UP OR DOWN. THIS IS TRUE WHETHER ONE EXAMINES THE TREND OF THE "DEFENSE SERVICES" ITEM OR THE BROADER MILITARY EXPENDITURES FIGURE.

5. IT IS NOT POSSIBLE TO TELL FROM THE BUDGET DOCUMENTS TO WHAT EXTENT, IF ANY, PURCHASES OF ARMS FROM ABROAD ARE ADDITIONAL TO THIS AMOUNT AND HIDDEN IN THE ANNUAL DEVELOPMENT BUDGET. IT IS EVEN POSSIBLE THAT CREDITS TO BE USED FOR MILITARY PURPOSES MIGHT GO THROUGH THE STATE BANK WITHOUT EVER BEING RECORDED AS A BUDGET ITEM, ALTHOUGH TREATMENT OF REPAYMENTS WOULD PRESUMABLY HAVE TO SHOW UP SOMEWHERE.
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